

Minutes of the Regular Work Session of the
Board of Mayor and Aldermen, City of Kingsport, Tennessee
Monday, March 15, 2010, 4:30 PM
Council Room – City Hall

PRESENT:

Board of Mayor and Aldermen

Mayor Dennis R. Phillips

Vice-Mayor Benjamin K. Mallicote

Alderman Charles K. Marsh, Jr.

Alderman Larry A. Munsey

Alderman Tom C. Parham

City Administration

John G. Campbell, City Manager

J. Michael Billingsley, City Attorney

James H. Demming, City Recorder

1. **CALL TO ORDER:** 4:34 p.m., by Mayor Phillips.
2. **ROLL CALL:** By Deputy City Recorder Gilbert. Absent: Aldermen Valerie Joh, due to recent knee replacement surgery, and Jantry Shupe, currently attending the National League of Cities annual conference in Washington D.C. as the BMA representative.
3. **WORK SESSION TICKLER.** Mayor Phillips updated Board members on the status of the King College Medical School, stating that, after talking with college president, Dr. Greg Jordan, there is nothing new to report at this time and the college is currently working on the Virginia side of the project.
4. **UPDATE ON KCHE (KINGSPORT CENTER FOR HIGHER EDUCATION) INITIATIVES.** Dr. William Locke, KCHE consultant, presented encouraging information regarding enrollment, the varying levels and range of educational programs offered by the various higher education institutions. He described new programs being proposed and passed out information to Board members regarding Carson Newman who is new to off-site courses and had no students enrolled in the fall.

The combined Academic Village enrollment figure for Carson Newman (unknown), Northeast State Community College (1206), King College (175), Lincoln Memorial University (98) and University of Tennessee (54) was 1,533 students.

He further reported that Keith Wilson, as publisher of the *Kingsport Times News* and as one who has been actively involved from the start in promoting higher education opportunities in Kingsport, has agreed to publish half page, cooperative advertising about the various colleges, at no cost. The marketing plan involves running this campaign of half page ads for six months, alternating articles.

Further discussion involved the impact of the coming automotive education center, opportunities for high school students to take college level courses and the impact on the high schools' finances, athletic programs and remaining student body.

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5. RETIREMENT ACTUARY PRESENTATION. City Manager Campbell went through a brief PowerPoint describing the City's evaluation of retirement benefits and the basis and options for changes in the current plan while determining the path forward. One of the most significant factors is the Tennessee Consolidated Retirement System (TCRS) increase in employers' contributions from 6-7% to the most recent rate of 16.58% and the need to maintain a competitive ratio of salaries/wages to benefits to recruit and retain quality employees. Mr. Campbell emphasized that present employees would not be required to change from the present plan and the City will be obligated to those who choose to stay with TCRA. He then went over the basic parameters of options the City needs to consider and costs involved.

In FY10, at 16.58%, the TCRS payment would total \$6 million, of which \$4,693,700 is the City's portion and approximately \$1.3 million is for schools' non-teachers. The 17.9% increased anticipated for FY11 would result in a total payment of \$4,966,200.

In consideration of a defined benefit plan, the rate of 6.5% in FY10 would total \$1,840,200, equaling a different between TCRS' 16.58% and the 6.5% rate of \$2,853,500. Mr. Campbell reminded Board members that it voted to leave the TCRS system prior to June 30, 2009, as required, and must decide on the approach for future employees hired after July 1, 2010.

City Manager Campbell stated that the City's benefit consultant was here to talk about the pros and cons of defined benefits and the TCRS would have representatives available at tomorrow night's regular business meeting to discuss its offerings.

Mr. Mark Morgan, President of Sherrill Morgan, introduced Mr. Randy Gomez, an actuary and principal of Nyhart, an employee benefit consulting firm based in Indianapolis used for the City's benefit actuarial studies. Mr. Gomez stated he was asked to educate Kingsport's decision makers on choosing the City's retirement plan benefit.

Mr. Gomez's presentation provided four options for the City to consider:

1. Stay with TCRS and make no changes for new hires;
2. Stay with TCRS and require new hires to contribute toward cost;
3. Continue with withdrawal and provide defined contribution for new hires; and
4. Continue with withdrawal and provide defined benefit pension for new hires.

The information he provided included a basic understanding of the current plan, retirement options for new hires, the advantages and disadvantages of defined benefit (DB) and defined contribution (DC) plans and long-term cost projections. He added that he believes in long-term cost projections in order to make long-term decisions and proceeded to go over the current plan's costs, comparing FY2008 with FY2010. In FY2009, TCRS asset rate of return was -15.7%.

Mr. Gomez also point out that another, fairly recent, contributor is the unexpected mortality improvements, with retirees living longer and, therefore, receiving prolonged benefits.

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After illustrating what the current plan provides, Mr. Gomez continued on with retirement options for new hires, explaining what DB and DC plans each entail and comparing the two with regard to cost fluctuations, risk of outliving pension income, investment risk, short-term v. long-term employment and other intangibles anticipated.

Board members questioned different scenarios to determine how various factors will affect the bottom line, looking at the long-term picture. It was established that the longer one stays employed with the City, under the DC plan, the higher the return at retirement. Also, very little can be done, in the next 7-8 years, to reduce the 16.8% contributory rate, whether or not the City decides to stay in TCRS. The 16.8% rate would require a 20-year amortization rather than the current 16 year amortization that would result in a 17.9% rate.

Because of all the intricacies involved and the importance of this decision, Mayor Phillips suggested that the in-house committee already working on this plan, along with the Audit Committee (which includes BMA members, Joh, Mallicote and Munsey) and Kingsport City Schools' personnel, meet to deliberate and come up with a recommendation for the Board's approval.

6. SUMMER ACTIVITIES GUIDE. Assistant to the City Manager and Interim Leisure Services Manager, Chris McCartt, passed out a brochure setting out the City's summer activities organized and orchestrated by the City's Parks and Recreation Department. Mr. McCartt introduced and commended City intern, John Morris, for putting this brochure together and adding it to the City's website.

7. DISCUSSION ON KINGSFORT CITY SCHOOLS (KCS) ENERGY MANAGEMENT PROPOSAL. City Manager Campbell stated that KCS Superintendent, Dr. Richard Kitzmiller, and KCS Board of Education (BOE) President, Susan Lodal, have been in discussion and working with Energy Systems Group (ESG) to achieve energy savings at KCS facilities. Ms. Lodal asked BMA members for a verbal commitment to assist in financing, if needed, to take advantage of these energy savings. Ms. Lodal explained that KCS has lottery funds of a certain amount available and believes these energy improvements can be shown as "cost neutral" but cannot guarantee there will be no need for further funding. She shared that ESG believes it will need about three to four months to do its preliminary work but the BOE is seeking BMA backing before moving forward.

Mayor Phillips confirmed that the KCS BOE wants these minutes to reflect that the BMA is financially supportive of the school system moving forward with ESG on this energy saving project.

8. REVIEW OF AGENDA ITEMS ON MARCH 16, 2009 REGULAR BUSINESS AGENDA. City Manager Campbell, members of staff and community members provided a summary or presentation for each item on the proposed agenda. Those items the Board discussed at greater length or which received specific questions or concerns included:

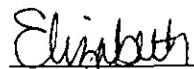
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VI.B.5 Consideration of a Resolution to Authorize the Mayor to Sign all Documents Necessary to Enter into a Materials Agreement with Leonard and Cynthia Gerber related to St. Andrew's Garth Phase I and an Ordinance to Appropriate the Funds (AF: 83-2010). After Public Works Director, Ryan McReynolds, described this development and the request for materials. Mayor Phillips requested that, in the future, the number of lots affected by each materials agreement approved, be added to the chart listing all the materials agreements to date.

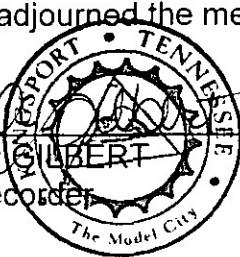
VI.E.2 CONSIDERATION OF APPOINTMENTS TO THE WELLNESS INFRASTRUCTURE AND POLICY (WIP) COMMITTEE (AF: 84-2010). Vice-Mayor Mallicote provided the background on the formation of this new committee and shared that City Grants and Government Relations Specialist, Morris Baker, was instrumental in obtaining the grant to implement this wellness program. The committee will consist of community leaders interested in improving area citizens' health.

PUBLIC COMMENT. None.

9. ADJOURN. Seeing no other matters presented for discussion at this work session, Mayor Phillips adjourned the meeting at 6:55 p.m.



ELIZABETH A. GILBERT
Deputy City Recorder





DENNIS R. PHILLIPS
Mayor